	ting F er P.A. 2 of 19		OCEDUTES RE as amended.	eport						
Local Gove	rnment Type	nship	o	Local Governmer DEXTER	ment Name VILLAGE LDFA			County	HTE	NAW
Audit Date 2/28/05			Opinion Date 5/11/05	1	Date Accountant Rep	oort Submitted to	State:			
accordan	ce with the	ne S	nancial statements of Statements of the Go or Counties and Local	vernmental Acco	ounting Standards	Board (GAS	B) and the	e Uniform	Repor	
We affirm	n that:									
1. We h	ave comp	lied	with the Bulletin for th	e Audits of Local	Units of Governme	nt in Michiga	n as revise	d.		
2. We a	re certifie	d pul	blic accountants regis	tered to practice i	in Michigan.					
			llowing. "Yes" respons endations	ses have been dis	sclosed in the finan	cial statemer	nts, includin	g the notes	or in	the report of
You must	check the	арр	licable box for each it	em below.						
Yes	✓ No	1.	Certain component u	ınits/funds/agenc	ies of the local unit	are excluded	d from the f	înancial sta	temer	nts.
Yes	✓ No	2.	There are accumula 275 of 1980).	ited deficits in on	ne or more of this u	unit's unrese	rved fund I	oalances/ret	ained	earnings (P.A.
Yes	√ No	3.	There are instances amended).	s of non-complia	nce with the Unifo	rm Accounti	ng and Bu	dgeting Act	(P.A.	2 of 1968, as
Yes	✓ No	 The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. 								
Yes	✓ No	5.	The local unit holds as amended [MCL 1				-	requiremen	ts. (P.	A. 20 of 1943,
Yes	√ No	6.	The local unit has be	een delinquent in	distributing tax reve	enues that we	ere collecte	d for anothe	er taxi	ng unit.
Yes	√ No	7.	The local unit has a pension benefits (no credits are more that	ormal costs) in th	e current year. If the	ne plan is m	ore than 10	00% funded	and t	the overfunding
Yes	√ No	8.	The local unit uses (MCL 129.241).	credit cards and	d has not adopted	an applicab	le policy a	s required	by P.A	A. 266 of 1995
Yes	✓ No	9.	The local unit has no	ot adopted an inve	estment policy as re	equired by P.	A. 196 of 1	997 (MCL 1	29.95).
We have	enclosed	the	e following:			E	Enclosed	To Be Forward		Not Required
The lette	r of comm	ents	and recommendation	าร.			✓			
Reports	on individ	ual fe	ederal financial assista	ance programs (p	orogram audits).					✓
Single A	udit Repor	ts (A	ASLGU).							✓
1	ublic Accoun		Firm Name)							
Street Add			•		City	NAW		State MI	ZIP. 486	38
	t Cianatura							Date		
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DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

FINANCIAL STATEMENTS

February 28, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of the Dexter Village Local Development Finance Authority Dexter, Michigan

We have audited the accompanying basic financial statements of the Local Development Finance Authority of the Village of Dexter (a component unit of the Village of Dexter) as of February 28, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Local Development Finance Authority of the Village of Dexter, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Local Development Finance Authority of the Village of Dexter, Michigan as of February 28, 2005 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Local Development Finance Authority of the Village of Dexter, Michigan has not presented a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Local Development Finance Authority of Dexter, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Local Development Finance Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements as of March 1, 2004.

Berthauna & Co. May 11, 2005



DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET ASSETS

February 28, 2005

	Governmental Fund		Adjustments (Note 1)		Statement of Net Assets	
Assets						
Cash and equivalents	\$	1,715,599	\$	-	\$	1,715,599
Due from other governmental unit		1,792		-		1,792
Total assets	\$	1,717,391		-		1,717,391
Liabilities						
Accounts payable	\$	-		-		-
Due to other governmental units Noncurrent liabilities:		157,362		-		157,362
Due within one year		-		(636,743)		636,743
Due in more than one year		-		(490,000)		490,000
Total liabilities		157,362		1,126,743		1,284,105
Fund Balance/net assets						
Net assets – unrestricted		1,560,029		1,126,743	\$	433,286
Total liabilities and fund balance	\$	1,717,391	\$	<u>-</u>		

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended February 28, 2005

	Governmental Fund		I	Adjustments (Note 1)	Statement of Net Assets	
Revenues						
Property taxes Interest income	\$	4,321 6,502	\$	-	\$	4,321 6,502
Total revenues		10,823		-		10,823
Expenditures						
Contribution to:						
County Economic Development Council		7,500		-		7,500
Legal and professional		3,300		-		3,300
Other administrative		1,545		-		1,545
Debt Service:						
Principal		631,743		(631,743)		-
Interest		49,564		-		49,564
Fees		575		-		575
Total expenditures		694,227		(631,743)		62,484
Excess (deficiency) of revenues over						
expenditures/change in net assets		(683,404)		631,743		(51,661)
Fund balance/net assets, beginning of year		2,243,433		(1,758,486)		484,947
Fund balance/net assets, end of year	\$	1,560,029	\$	1,126,743	\$	433,286

GOVERNMENTAL FUND

BUDGETARY COMPARISON STATEMENT

Year Ended February 28, 2005

	Original Budget		Final Budget				Variance with Final Budget Favorable (Unfavorable)	
Revenues								
Property taxes	\$	1,103,500	\$ 1,103,500	\$	4,321	\$	(1,099,179)	
Interest		20,000	20,000		6,502		(13,498)	
Total revenues	_	1,123,500	1,123,500		10,823		(1,112,677)	
Expenditures								
Contribution to County Economic								
Development Council		7,500	7,500		7,500		-	
Administration, legal and audit		7,175	7,175		4,845		2,330	
Debt Service:								
Debt principal		631,743	631,743		631,743		-	
Debt interest		49,564	49,564		49,564		-	
Debt service fees		600	600		575		25	
Total expenditures		696,582	696,582		694,227		2,355	
Excess of revenues over (under) expenditures		426,918	426,918		(683,404)		(1,110,322)	
Fund balance, beginning of year		2,243,433	2,243,433		2,243,433			
Fund balance, end of year	\$	2,670,351	\$ 2,670,351	\$	1,560,029	\$	(1,110,322)	

NOTES TO FINANCIAL STATEMENTS

February 28, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Dexter Village Local Development Finance Authority (LDFA) was formed by resolution of the Village Council May 26, 1987. The Village of Dexter created the LDFA by the authority of Act 281, Public Acts of Michigan, 1986.

The purpose of the LDFA is to promote the economic growth of the Village.

Plans for the LDFA and a related Tax Increment Finance Plan call for the LDFA to capture certain property taxes on certain property improvements in the Dexter Business and Research Park. Tax revenues collected by the LDFA on these properties within its boundaries will be used to service various loans or bond issues. The proceeds of these bond issues were used by the Village for infrastructure improvements at the Dexter Business and Research Park.

The accounting policies of the Dexter Village Local Development Finance Authority conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

(a) THE REPORTING ENTITY

The Authority has adopted the position of the Government Accounting Standards Board regarding the definition of the reporting entity and component units.

The LDFA has had numerous transactions involving the Village of Dexter relative to the Construction of the Dexter Industrial Park, sale of lots in the industrial park and bond issue matters. The Village of Dexter, in this connection, has pledged its backing on the LDFA Long-Term Debt.

The LDFA's basic financial statements present combined governmental fund modified accrual financial statements and government-wide full accrual financial statements. As of and for the year ended February 28, 2005, adjustments were made to the amounts in the governmental fund for long-term debt and related accrued interest in order to arrive at the government-wide full accrual financial statements. Accrued interest payable as of February 28, 2005 was immaterial and not recorded. The LDFA has elected to not present a management's discussion and analysis.

The LDFA is a component unit of the Village of Dexter, Michigan and is included in the basic financial statements of the Village at February 28, 2005 as a discretely presented component unit.

(b) BASIS OF ACCOUNTING

The accounting policies of the LDFA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

The government-wide accrual financial statements (the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue

NOTES TO FINANCIAL STATEMENTS, continued

February 28, 2005

in the year for which they are levied. The LDFA ceased the capture of property taxes with the 2004 tax year. For the purpose of the government-wide financial statements, the LDFA reports a liability for the outstanding debt which will be repaid in future periods. A significant portion of the LDFA's activities in previous years related to investments in infrastructure that are the property of and are reported as an asset in the basic financial statements of the Village of Dexter, Michigan rather than in the LDFA's financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

(c) ACCOUNTING CHANGES

GASB Statement No. 34 – Effective March 1, 2004, the Local Development Finance Authority of the Village of Dexter, Michigan implemented the provisions of Governmental Accounting standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34).

NOTE 2 – BUDGET INFORMATION

The annual budget is prepared and adopted by the LDFA Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at February 28, 2005 has not been calculated. During the year, the budget was amended in a legally permissible manner if needed. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a total expenditures basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the LDFA Board is included in the basic financial statements. This statement is presented on a line-item basis for information purposes.

NOTE 3 – CASH AND CASH EQUIVALENTS

The LDFA cash and cash equivalents are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits
Investments – Bank investment pools

Total

\$ 1,715,599

\$ 1,715,599

NOTES TO FINANCIAL STATEMENTS, continued

February 28, 2005

Deposits

The above deposits were reflected in the accounts of the bank (there are no checks written but not yet cleared or any deposits in transit). Of the total balance, \$300,000 was covered by federal depository insurance.

Investments

The LDFA is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. The LDFA had no investments during the year. Investments, if any, are normally categorized to give an indication of the level of risk assumed.

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in the principal balance of long-term debt of the LDFA during the year ended February 28, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
1999 Contract Payable to Village (1999 Water Project)	\$ 353,550	\$ -	\$ 176,775	\$ 176,775	\$ 176,775
1999 Contract Payable to Village (2000 Sewer Project)	229,934	-	114,967	114,967	114,967
1999 LDFA Limited Tax G.O., Local Development Refunding Bonds (paid off 1991 Bonds)	1,175,000	-	340,000	835,000	345,000
Total debt obligations	\$ 1,758,484	\$ -	\$ 631,742	\$ 1,126,742	\$ 636,742

The annual requirements to service the outstanding debt are as follows:

	<u>Principal</u>		 Interest	Total		
2005 2006	\$	636,632 490,000	\$ 32,953 12.250	\$	669,585 502,250	
Total	\$	1,126,632	\$ 45,203	\$	1,171,835	

DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

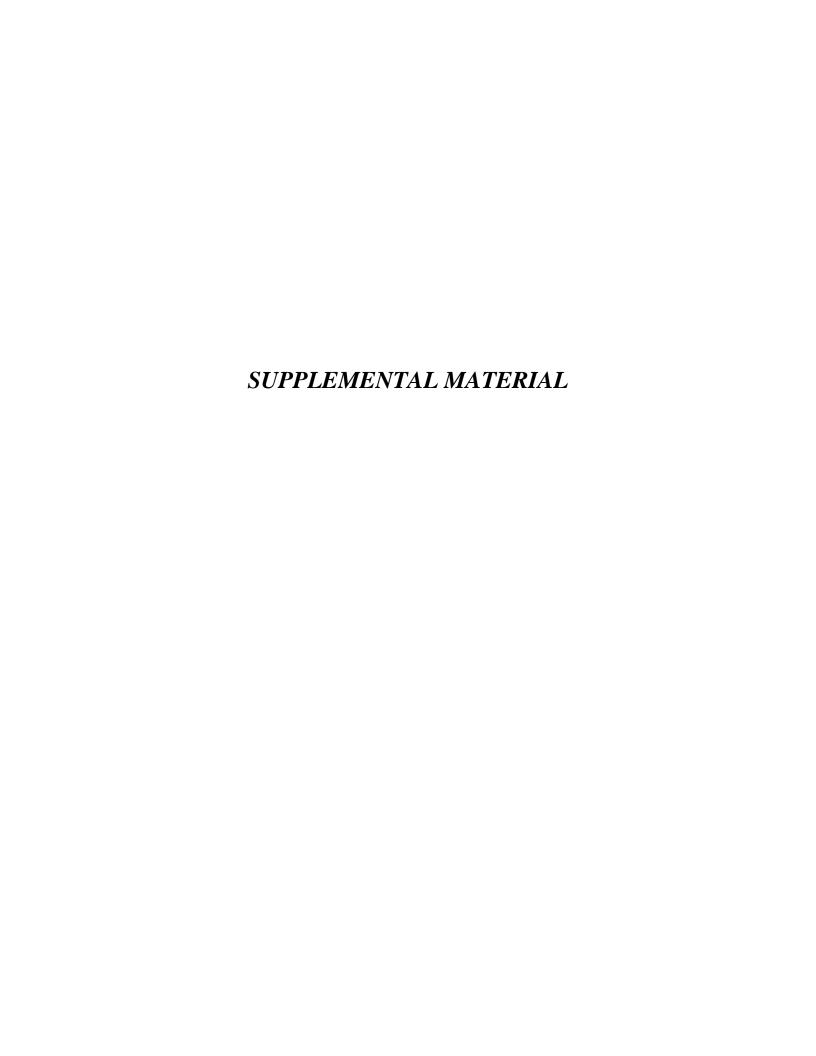
NOTES TO FINANCIAL STATEMENTS, continued

February 28, 2005

NOTE 5 – PROPERTY TAXES

The Dexter Village LDFA is authorized to capture certain tax levies of other governmental units on properties within the LDFA district. A "floor" of \$30,000 of real property value and \$832,600 of personal property value is not captured by the LDFA. Also, the LDFA does not capture the various "debt" levies of the other governmental units. In addition, and as a result of Proposal A, the capture of school taxes is limited to the amount required to service pre-Proposal A LDFA debt obligations.

The Dexter Village LDFA has elected to cease the capture of property taxes because assets are sufficient to fully pay off the remaining debt obligations and the LDFA has no further development plans. The LDFA reports no property tax revenue for the year ended February 28, 2005 except \$4,321 which was a carryover from the prior year.



DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

SCHEDULE OF LONG-TERM DEBT

February 28, 2005

	Fiscal		FISCAL YEAR					
	Year		nterest		Principal			
	End	Am	ount Due	A	mount Due			
1000 C 4 4 D 11 4 WH 6 D 4								
1999 Contract Payable to Village of Dexter, LDFA portion (30%) of 1999 Village of	2007				126 225			
Dexter water supply system project costs	2006				176,775			
Total amount due			-		176,775			
1999 Contract Payable to Village of Dexter, LDFA portion (30%) of 2000 A&B Village of Dexter sewer disposal system project costs	2006				114,967			
costs	2000							
Total amount due			-		114,967			
1999 Local Development Refunding Bonds, General Obligation, Limited Tax Issue of \$2,070,000 dated August 19, 1999, maturing April 1, (principal and interest) and October 1, (interest)								
Interest rate: 4.1% to 5.0%	2006		32,953		345,000			
	2007		12,250		490,000			
Total amount due			45,203		835,000			
TOTAL		\$	45,203	\$	1,126,742			



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MANAGEMENT LETTER

To the Board of Directors

Dexter Village Local Development Finance Authority

We have audited the financial statements of Dexter Village Local Development Finance Authority for the year ended February 28, 2005, and have issued our report thereon dated May 11, 2005. As part of our examination, we made a study and evaluation of the Authority's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Authority's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Authority's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Dexter Village Local Development Finance Authority taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of the Authority management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our audit.

Berthiaume & Company Certified Public Accountants

Berthiaume & Co,

May 11, 2005